



Government of
Saskatchewan

Annual Report 2003-2004

Agri-Food Innovation Fund



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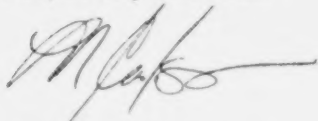
Letters of Transmittal

Honourable Mark Wartman
Minister of Saskatchewan Agriculture and Food

Dear Sir:

I am pleased to present herewith the Annual Report of the Agri-Food Innovation Fund for the 12 months ending March 31, 2004.

Respectfully submitted:



Maryellen Carlson
Chair
Board of Directors
Agri-Food Innovation Fund

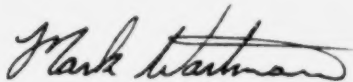
Her Honour the Honourable Dr. Lynda M. Haverstock
Lieutenant Governor
Province of Saskatchewan

July 16, 2004

Your Honour:

I have the honour to submit herewith the Annual Report of the Agri-Food Innovation Fund for the 12 months ending March 31, 2004.

I have the honor to be, Madam, your obedient servant.



Mark Wartman
Minister
Saskatchewan Agriculture and Food

Message from the Minister of Saskatchewan Agriculture and Food

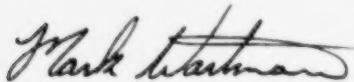
The federal/provincial Agri-Food Innovation Fund Agreement ended March 31, 2003. The province, under the *Agri-Food Innovation Act*, appointed a Saskatchewan Board of Directors to continue to manage the affairs of the fund and ongoing contractual obligations entered into under the agreement. The program has provided a multitude of valuable projects and research results for Saskatchewan's agriculture and food industry since 1995.

With 300 projects in eight key research sectors, the Agri-Food Innovation Fund (AFIF) has created a lasting legacy for agriculture in Saskatchewan and Canada.

The program demonstrated that extraordinary achievements can be accomplished through cooperation and enthusiasm. AFIF was more than a program — it was an important collaboration of producers, industry, academics and governments, all working together to set and meet the goals.

AFIF has also proved to be an example of how the provincial and federal governments can work together in harmony to obtain the maximum benefit for taxpayers.

Saskatchewan's agriculture and food industry will benefit from AFIF's results and successes for years to come.



Mark Wartman
Minister of Agriculture and Food



Board of Directors

Ms. Maryellen Carlson, Chair
Assistant Deputy Minister
Saskatchewan Agriculture, Food and Rural Revitalization, Regina

Don Russell, Director
Louis Hradecki, Director
Linda Pipke, Director

Staff management services are provided
through the Agriculture Research Branch of
Saskatchewan Agriculture, Food and Rural
Revitalization.

How AFIF Helped Agriculture Industry Growth in Saskatchewan

The \$91 million Canada-Saskatchewan Agri-Food Innovation Fund (AFIF), established in 1995, has assisted the agricultural sector of Saskatchewan's economy to become stronger and more diversified. More than 300 research, development and infrastructure projects have been undertaken in support of the emerging primary production and value-added processing sectors within the province.

While the Canada-Saskatchewan Agri-Food Innovation Fund Agreement expired March 31, 2003, a new Saskatchewan Board of Directors, appointed under the *Saskatchewan Agri-Food Innovation Act*, will continue to manage the ongoing business of the fund, including projects which were not completed when the AFIF agreement expired.

The Agri-Food Innovation Fund paid \$1,120,419 to 26 projects during the 12-month period ending March 31, 2004. The funding provided to projects through AFIF will leave a lasting legacy and help Saskatchewan's agricultural economy to continue to grow for years to come. The Fund focused on eight agriculture sectors:

- Biotechnology;
- Food processing;
- Horticulture;
- Information technology;
- Non-food processing;
- Specialty crops;
- Specialized livestock; and
- Sustainable agriculture.

Some AFIF-supported projects produced an immediate impact on the economy, while others will continue to provide benefits for years to come. The fund is pleased to have invested in the development of several new infrastructure, and research and development, projects in the province. Some examples of these investments are listed below.

The Saskatchewan Food Industry Development Centre in Saskatoon provides production and marketing advice to Saskatchewan food processors, and is the focal point for coordination and delivery of existing and new technical, business, educational and human resource services for the industry.

The Western Beef Development Centre's mission is to improve the economic performance of the Western Canadian cattle industry by using practical and applicable research to provide technology that enables producers to become increasingly competitive in today's marketplace.

The Saskatchewan Nutraceutical Network's mission is to provide leadership, support and encouragement for the development of a strong, economically-viable nutraceutical, functional food and dermaceutical industry in Saskatchewan.

The Spoke Site Program, now called the Saskatchewan Agri-ARM Program, was initiated under AFIF. The Saskatchewan Agri-ARM (Agriculture-Applied Research Management) Program connects eight regional applied research and demonstration sites into a province-wide network. Each location has an affiliated producer group that sets the research priorities for that site. Agri-ARM sites serve as centres for applied research and demonstration, focusing on increasing value from crops and enhancing production efficiency and environmental stewardship in a region. Agri-ARM provides the forum for government, producers, researchers and industry associations to partner with provincial and regional projects.

In addition, some examples of infrastructure include: the Stockman's Arena in Regina (for specialized livestock), the Crop Development Centre in Humboldt at the Prairie Agricultural Machinery Institute, and vegetable facilities in Outlook.

AGRI-FOOD INNOVATION FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2004

Board of Directors Report

To Members of the Legislative Assembly of Saskatchewan

The Board of Directors of the Agri-Food Innovation Fund of Saskatchewan is responsible for the integrity of the accompanying financial statements and all other information in this 2003-04 Annual Report. It is the responsibility of management to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP) in Canada.

The integrity of the financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are appropriately recorded in order to permit preparation of financial statements; and, assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal controls based on the premise that the cost of such controls should not exceed the benefits derived therefrom.

The financial statements have been audited by the Provincial Auditor of Saskatchewan. The report to the Members of the Legislative Assembly, stating the scope of the examination and opinions on the financial statements appears on the following pages.



Maryellen Carlson,
Chair,
Board of Directors,
Agri-Food Innovation Fund
April 29, 2004

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Agri-Food Innovation Fund as at March 31, 2004 and the statements of revenue, expenditure and net financial assets and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

These financial statements include comparative figures on which I expressed a reservation last year. The Fund received transfers from the General Revenue Fund under a shared-cost agreement with the federal government. The Fund recorded these transfers as revenue in the year they were received. However, transfers under shared-cost agreements should be recorded as revenue when the related eligible expenditures are incurred. Any transfers received in advance should be recorded as deferred revenue. Had the Fund properly recorded these transfers, revenue from the Government of Saskatchewan for the year ended March 31, 2003 would have increased by \$5,493,146 and the deficit for the year would have decreased by \$5,493,146. Also, net financial assets as at March 31, 2002 would have decreased by \$5,493,146.



Regina, Saskatchewan
April 29, 2004

Fred Wendel, CMA, CA
Provincial Auditor

Agri-Food Innovation Fund
Statement of Financial Position
 As at March 31

	<u>2004</u>	<u>2003</u>
FINANCIAL ASSETS		
Due from General Revenue Fund (Notes 3 and 4)	\$3,985,501	\$5,117,170
Interest receivable (Notes 3 and 4)	25,588	37,023
Accounts receivable	—	46,669
Prepaid expenditure	<u>838,670</u>	<u>886,953</u>
	4,849,759	6,087,815
LIABILITIES		
Accounts payable	<u>126,540</u>	<u>351,752</u>
NET FINANCIAL ASSETS (Statement 2)	<u>\$4,723,219</u>	<u>\$5,736,063</u>

(See accompanying notes to the financial statements)

Agri-Food Innovation Fund
Statement of Revenue, Expenditure, and Net Financial Assets
 Year Ended March 31

	<u>2004</u>	<u>2003</u>
Revenue		
Government of Canada (Note 6)	\$—	\$118
Interest revenue (Notes 3 and 4)	124,833	172,165
Miscellaneous	<u>3,581</u>	<u>17,865</u>
Total revenue	<u>128,414</u>	<u>190,148</u>
Expenditure		
Contractual services - Strategic Projects	1,136,851	5,566,508
Board expenditures	1,535	8,426
Office supplies	412	30
Communication activities	<u>2,460</u>	<u>124,027</u>
Total expenditure	<u>1,141,258</u>	<u>5,698,991</u>
Deficit for the year	(1,012,844)	(5,508,843)
Net financial assets, beginning of year	<u>5,736,063</u>	<u>11,244,906</u>
Net financial assets, end of year - to Statement 1	<u>\$4,723,219</u>	<u>\$5,736,063</u>

(See accompanying notes to the financial statements)

Agri-Food Innovation Fund
Statement of Cash Flows
Year Ended March 31

	<u>2004</u>	<u>2003</u>
Cash Flows from operating activities:		
Receipts from the Government of Canada	\$—	\$99,760
Refunds from contractors	50,250	17,865
Interest received	136,268	186,504
Paid to contractors and suppliers	<u>(1,318,187)</u>	<u>(5,369,726)</u>
Net decrease in cash and cash equivalents	(1,131,669)	(5,065,597)
Cash and cash equivalents, beginning of year (Note 2 (c))	<u>5,117,170</u>	<u>10,182,767</u>
Cash and cash equivalents, end of year (Note 2 (c))	<u>\$3,985,501</u>	<u>\$5,117,170</u>

(See accompanying notes to the financial statements)

Agri-Food Innovation Fund
Notes to the Financial Statements
March 31, 2004

1. Authority and Definition

The Agri-Food Innovation Fund was established as a corporation effective March 31, 1995 pursuant to Section 3 of *The Agri-Food Innovation Act*. The purpose of the Fund is to enhance the diversification of the Saskatchewan agriculture and food industry, support research and development and encourage farmers and rural residents to create economic opportunities and jobs.

On September 25, 1995, the Government of Saskatchewan entered into the Canada-Saskatchewan Agri-Food Innovation Agreement (Agreement) with the Government of Canada to achieve this purpose. On March 31, 2003, the Agreement with the Government

of Canada expired. The Fund continues to administer the remaining provincial funding owing to projects.

The Fund is administered by the Agri-Food Innovation Fund Board.

The Board has entered into contracts with various contractors to carry out projects for the purpose outlined above.

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting principles are considered significant:

a) Revenue Recognition

Externally restricted contributions are recognized as revenue in the year in which the

related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Funding received from the Federal Government is considered to be externally restricted and as a result is deferred until the program itself incurs expenditures.

Funding received from the Government of Saskatchewan is not considered to be externally restricted because the Fund is controlled by the Government.

b) Receivables/Payables

These financial instruments are both interest and non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the carrying value of these financial instruments approximates fair value.

c) Cash and Cash Equivalents

Cash and cash equivalents are comprised of amounts due from the General Revenue Fund.

3. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since they are all controlled by the Government. These financial statements include transactions with other Government agencies.

The Fund earned interest income of \$124,833 (2003 - \$172,165) on monies deposited in the General Revenue Fund. At year end, the Fund had monies deposited in the General Revenue Fund totalling \$3,985,501 (2003 - \$5,117,170).

In accordance with Section 9 of *The Agri-Food Innovation Act*, the Minister of Agriculture and Food may provide to the Fund any supplies and employee services required to carry out its responsibilities. The Fund received office

space and administrative services from Saskatchewan Agriculture, Food and Rural Revitalization without charge.

Included in prepaid expenditures are amounts paid to related parties of \$46,395 (2003 - \$14,917) and included in accounts payable are amounts due to related parties of \$28,894 (2003 - \$78,548).

During the year, the Fund made expenditures totalling \$416,439 (2003 - \$1,023,208) to related parties.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

4. Due From General Revenue Fund

The monies of the Agri-Food Innovation Fund are deposited in the General Revenue Fund. The Agri-Food Innovation Fund's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's 30 day borrowing rate and the Agri-Food Innovation Fund's daily balance. The average 30 day borrowing rate for the year was 2.79% (2003 - 2.62%).

5. Comparison of Planned and Actual Results for the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>
Expenditures:		
Board expenditures	\$5,000	\$1,535
Office supplies	2,000	412
Contractual services -		
Strategic Projects	4,000,000	1,136,851
Communication		
activities	<u>10,000</u>	<u>2,460</u>
	<u>\$4,017,000</u>	<u>\$1,141,258</u>

The Board approved the budget for expenditures at its March 23, 2003 meeting.

6. Federal Government Funding

Canada did not contribute anything in the year (2003 - nil) under Section 5.3 of the Agreement, as Canada had completed its commitment to the Fund in 2002. Under the Agreement, interest accrues on Canada's contributions until they are spent. Interest on Canada's contributions in the year were nil (2003 - \$118).

Up until 2003, the Agri-Food Innovation Fund Board approved designated federal agencies to carry out a project or program, and the funding was provided directly to the agency by Canada. As Canada completed its commitment to the Fund in the 2002 fiscal year, for 2004 and 2003 there were no federal agencies designated to carry out projects and Canada did not provide any direct funding.

7. Commitments

At March 31, 2004, the Board had approved Strategic Projects that will be expended in future years.

March 31, 2005	\$	<u>3,591,925</u>
	\$	<u>3,591,925</u>

Agri-Food Innovation Fund Details of Expenditures (Unaudited) For the Year Ended March 31

Schedule 1

Strategic Projects

	2004
Canada-Saskatchewan Irrigation Diversification Centre	\$85,000
East Central Research Foundation	50,000
Indian Head Agriculture Research Foundation	25,000
Marmax Consultants	175,000
Northeast Agriculture Research Foundation	25,000
Plant Biotechnology Institute	131,230
Saskatchewan Bison Association	74,013
Saskatchewan Food Industry Development Centre	100,000
Saskatchewan Nutraceutical Network	225,000
South East Prairie Rural Development Corporation	25,000
University of Saskatchewan	136,450
Western Beef Development Centre	250,000
Wheatland Conservation Area Inc.	25,000
Payees under \$20,000	36,126
Net accrual adjustments	<u>(225,968)</u>
Total Strategic Projects	<u>1,136,851</u>

Supplier Payments

Payees under \$20,000	7,368
Net accrual adjustments	<u>(2,961)</u>

Total Supplier Payments

Total	<u>4,407</u>
	<u>\$1,141,258</u>



Government of
Saskatchewan

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